

LINCOLN PARK HOUSING COMMISSION

Financial Statements

March 31, 2008

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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LINCOLN PARK HOUSING COMMISSION  
1356 Electric  
Lincoln Park, Michigan 48146

This discussion and analysis of the Lincoln Park Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

This annual report includes the Management Discussion and Analysis report, the Basic Financial Statements and the Notes to Financial Statements. This report also contains the Financial Data Schedule (FDS) as referenced in the section Supplemental Information. The Commission's financial statements are presented as fund level financial statements because the Commission only has proprietary funds.

#### **Entity-Wide Statements**

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

#### **Fund Statements**

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

#### **Entity-Wide Financial Highlights**

The Commission was awarded and received the following Federal Assistance:

	<u>Year 2008</u>	<u>Year 2007</u>
Operating Subsidies	\$ 274,174	\$ 168,454
Section 8 Housing Choice Vouchers	1,864,120	2,136,932
Section 8 Mod Rehab	103,639	130,977
Capital Projects Funds	92,107	254,426

Comparison of the current year to the past and discussion of significant changes as follows:

	<u>Year 2008</u>	<u>Year 2007</u>	<u>Net Change</u>
Cash & cash equivalents	\$ 857,438	\$ 1,241,684	(384,246)
Accounts Receivable	3,928	5,418	(1,490)
Investments	725,388	0	725,388
Prepaid Expenses	15,098	18,570	(3,472)
Fixed Assets, prior to Depreciation	5,866,701	5,909,433	(42,732)
Total Liabilities	145,388	89,842	55,546
Net Assets	2,484,964	2,449,293	35,671

Management Discussion and Analysis-continued

	<u>Year 2008</u>	<u>Year 2007</u>	<u>Net Change</u>
Revenues:			
Tenant Revenues	321,850	297,301	24,549
HUD Grants	2,334,040	2,690,789	(356,749)
Other Revenues	<u>176,572</u>	<u>114,495</u>	62,077
Total Revenue	<u>2,832,462</u>	<u>3,102,585</u>	270,123
Expenses:			
Administrative	360,115	353,217	6,898
Tenant Services	2,856	11,914	(9,058)
Utilities	144,258	164,349	(20,091)
Maintenance & Operations	206,189	213,553	(7,364)
Protective Services	3,874	3,390	484
General Expenses	53,830	63,518	(9,688)
Depreciation Expense	202,175	218,919	(16,744)
Housing Assistance Payments	<u>1,859,833</u>	<u>1,832,444</u>	27,389
Total Operating Expenses	<u>2,833,130</u>	<u>2,861,304</u>	(28,174)
Net Change in Net Assets	(467)	241,281	(241,748)

Our cash position decreased \$ 384,246, however, our investments increased \$ 725,388- both changes are the result of a net profit before depreciation of \$ 201,708. Our accounts receivable decreased as a result of a more aggressive collection of tenant balances; prepaid expenses decreased because the amount of unexpired insurance premiums at year end. Fixed assets before depreciation decreased \$ 42,732- a recent inventory revealed some assets had been scraped or misstated, the corrected inventory is reflected on the books. Total liabilities increased \$ 55,546; utility bills had been received late from the municipality and therefore a larger than usual accrual is on the books at year end. Net Assets actually increased even-though the Commission suffered a net loss of \$ 467, part of the increase was due to an adjustment of prior period equity transfer from the capital fund- restatement of some asset additions.

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, Capital grants authorized and obligated during the year, and Housing Assistance grants. Total HUD grants were lower in the following areas: Subsidies increased \$ 105,720, Housing Choice Vouchers decreased \$ 272,812, and capital funds decreased \$ 162,319. Our subsidies increased as a result of a new subsidy formula which converted a fiscal year to a calendar year calculation, and changes in the factors which affected the amount which we were eligible to receive. Our Housing Choice Voucher funding has been cut as the entire HUD budget has been reduced by pro-ration of subsidies and decreases in administrative fees for our voucher program; CFP funds are the result of eligibility and requisitions, we put all our CFP money into operations and choose not to withdraw any more funds for this fiscal year.

## Management Discussion and Analysis-continued

Tenant revenue increased consistent with increases in social security and a modest increase in interest income; our public housing program consist of elderly, therefore the poor economic work conditions in our State does not affect the retired. Miscellaneous income increased due to rooftop antenna's rental income and a back payment for interest on the use of our roof.

Several expense accounts increased/decreased, the three most significant are as follows:

Utilities decreased \$ 20,091, we believe the decrease is the result of using low wattage florescent lighting, stressing conservation in water, gas and electrical use, and the benefit of a mild winter. Usage is down and rates have remained consistent.

Depreciation expense is lower by \$ 16,744, which is reflects no major improvements in recent years, and the existing assets are becoming fully depreciated.

Housing Assistance Payments have increased; we were under-leased and have reserves, therefore, we elected to over-lease for a short period of time to use our existing reserves. Funding is on a two year lag, therefore, the funding side reflects the baseline established in 2006.

The Commission provided the following housing for low to moderately low income families:

	<u>Year 2008</u>	<u>Year 2007</u>
Low Rent Public Housing	119	119
Section 8 Vouchers	293	293
Section 8 Mod Rehab	35	35

## General Fund Budgetary Highlights

The Commission approved an operating budget on April 12, 2007 for the fiscal year ending March 31, 2008, and we did not feel the need to amend the budget.

The significant differences between actual and budget are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Tenant Rents	\$ 305,590	\$ 321,850	16,260
HUD Subsidies- Operating	263,410	274,174	10,764
Administrative Salaries	115,567	139,140	23,573
Net Income (Loss)	(17,890)	(467)	17,423

Tenant revenue increased consistent with increases in social security and a modest increase in interest income; our public housing program consist of elderly, therefore the poor economic work conditions in our State does not affect the retired, as stated above.

## Management Discussion and Analysis-continued

Our subsidies increased as a result of a new subsidy formula which converted a fiscal year to a calendar year calculation, and changes in the factors which affected the amount which we were eligible to receive. At the start of the year we did not know for sure how the new calculations would affect our eligibility and the amount of subsidy we would actually receive, therefore we underestimated the actual amount received.

Administrative salaries increased during the year, we added another section 8 specialist during the lease-up period.

New (Loss) was affected by the above items and resulted in a smaller loss than budgeted.

### Entity Wide Capital Assets

Fixed assets before depreciation decreased \$ 42,732- a recent inventory revealed some assets had been scraped or misstated, the corrected inventory is reflected on the books. We added our 2007 Capital Fund Project (CFP) to operations (\$92,107); our property is well maintained and does not need any major renovations at this time, we plan on putting our 2008 CFP into operations as well. The following represents our current major fixed asset categories:

Land	\$ 87,209
Buildings	5,457,472
Furniture & Equipment-Dwellings	73,220
Furniture & Equipment-Admin	140,874
Construction in Progress	<u>107,926</u>
	<u>\$ 5,866,701</u>

### Commission's Position

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income families.

We intend on drawing our 2008 Capital Fund for operations; we do not anticipate any change in the number of families which we serve.

Questions or comments concerning this Management Discussion and Analysis may be directed to:

Sabrina Gaddy, Property Supervisor  
% Fourmidable  
32500 Telegraph  
Bingham Farm, Michigan 48025

***John C. DiPiero, P.C.***

Certified Public Accountant

P. O. Box 378  
Hemlock, Michigan 48626  
Tel / Fax (989) 642-2092

Board of Commissioners  
Lincoln Park Housing Commission  
1356 Electric  
Lincoln Park, Michigan 48146

### **Independent Auditor's Report**

I have audited the financial statements of the Lincoln Park Housing Commission's Business Type Activities as of and for the year ended March 31, 2008. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lincoln Park Housing Commission as of March 31, 2008, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 19, 2008, on my consideration of the Lincoln Park Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Certified Public Accountant

September 19, 2008



LINCOLN PARK HOUSING COMMISSION  
Statement of Net Assets  
March 31, 2008

ASSETS

C-3175

CURRENT ASSETS

Cash	\$	827,275	
Cash-Restricted		<u>30,163</u>	\$ 857,438
Accounts Receivable			3,928
Investments			725,388
Prepaid Expenses & Other Assets			<u>15,098</u>
Total Current Assets			\$ 1,601,852

NON CURRENT ASSETS

Land	\$	87,209	
Buildings		5,457,472	
Furniture, Equipment- Dwellings		73,220	
Furniture, Equipment- Administrative		140,874	
construction in Progress		107,926	
Accumulated Depreciation		<u>(4,838,201)</u>	
Total Non Current Assets			<u>1,028,500</u>

TOTAL ASSETS

\$ 2,630,352

LINCOLN PARK HOUSING COMMISSION  
Statement of Net Assets  
March 31, 2008

**LIABILITIES**

**C-3175**

CURRENT LIABILITIES

Accounts Payable	\$	438	
Accrued Wages & Payroll Taxes		8,503	
Accounts Payable- Other Government		13,295	
Tenants Security Deposit		31,163	
Deferred Revenue		3,389	
Accrued Liabilities-Other		<u>89,600</u>	
<u>TOTAL LIABILITIES</u>	\$		145,388

**Net Assets**

Investment in Fixed Assets			
net of Related Debt	\$	1,028,500	
Unrestricted Net Assets		<u>1,456,464</u>	
<u>TOTAL NET ASSETS</u>			<u>2,484,964</u>
<u>TOTAL LIABILITIES &amp; NET ASSETS</u>	\$		<u>2,630,352</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements.

LINCOLN PARK HOUSING COMMISSION  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the year ended March 31, 2008

OPERATING REVENUE

Tenant Rental Revenue	\$ 321,850	
HUD Grants	2,334,040	
Interest Income-unrestricted	31,276	
Interest Income-restricted	33,779	
Other Income	<u>111,517</u>	
<u>Total Operating Revenue</u>		\$ 2,832,663

OPERATING EXPENSES

Administrative	\$ 360,115	
Tenant Services	2,856	
Utility Expenses	144,258	
Ordinary Maintenance	206,189	
Protective Services	3,874	
General Expenses	53,830	
Depreciation Expense	202,175	
Housing Assistance Payments	<u>\$ 1,859,833</u>	
<u>Total Operating Expenses</u>		<u>2,833,130</u>
<u>Operating Income (Loss)</u>		\$ (467)

CAPITAL CONTRIBUTIONS

		<u>0</u>
<u>Changes in Net Assets</u>		\$ (467)
Total Net Assets- Beginning		<u>2,485,431</u>
Total Net Assets- Ending		<u>\$ 2,484,964</u>

The Accompanying Notes are an Integral part of the Financial Statements

LINCOLN PARK HOUSING COMMISSION  
Statement of Cash Flows  
For the Year Ended March 31, 2008

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 325,246
Payments to Suppliers	(2,970,626)
Payments to Employees	(249,478)
HUD Grants	2,334,040
Other Receipts (Payments)	<u>176,572</u>
Net Cash Provided (Used) by Operating Activities	\$ (384,246)

CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES

Capital Contributions	\$ 0
Purchases of Capital Assets	<u>0</u>
Net Cash Flows from Capital & Financing Activities	\$ <u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (384,246)
Cash Balance- Beginning of Year	<u>1,241,684</u>
Cash Balance- End of Year	\$ <u>857,438</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (467)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	202,175
Changes in Assets (Increase) Decrease:	
Receivables	3,690
Investments	(725,388)
Prepaid Expenses	3,472
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(7,133)
Accrued Liabilities	139,225
Security Deposits	(40)
Deferred Revenue	<u>220</u>
Net Cash Provided by Operating Activities	\$ <u>(384,246)</u>

The Accompanying Notes are an Integral part of the Financial Statements

LINCOLN PARK HOUSING COMMISSION  
Notes to Financial Statements  
March 31, 2008

NOTE 1: Summary of Significant Accounting Policies

**Reporting Entity-**

Lincoln Park. Housing Commission, Lincoln Park, Michigan, (Commission) was created by ordinance of Lincoln Park. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 32-001	Low rent program	119	units
MI 32-V0 032-2, 3	Section 8 Vouchers	293	units
	Section 8 Mod Rehab	35	units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, the component unit is reported as a blend in the financial data schedule.

These criteria were considered in determining the reporting entity.

**Basis of Presentation-**

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## Notes to Financial Statements- continued

### Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

### Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided that they do not conflict with Governmental Accounting Standards Board (GASB) pronouncements.

### Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

### Assets, Liabilities, and Net Assets-

#### Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Due to/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the Balance Sheet.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

Checking Accounts	\$ 150,291
Money Market Accounts	706,647
Petty Cash	<u>500</u>
Financial Statement Total	<u>\$ 857,438</u>

Notes to Financial Statements- continued

Investments:

Money Market \$ 725,388

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
<b>Cash:</b>					
Checking A/C's	\$ 150,291	\$	\$	\$ 150,291	\$ 150,291
Money Market	706,647			706,647	706,647
Petty Cash	<u>500</u>	<u></u>	<u></u>	<u>500</u>	<u>500</u>
Total Cash	\$ <u>857,438</u>	\$ <u></u>	\$ <u></u>	\$ <u>857,438</u>	\$ <u>857,438</u>

**Investments:**

Savings Account	\$ <u>725,388</u>	<u></u>	\$ <u></u>	\$ <u>725,388</u>	\$ <u>725,388</u>
Total Cash	\$ <u>725,388</u>	\$ <u></u>	\$ <u></u>	\$ <u>725,388</u>	\$ <u>725,388</u>

All cash and investments are protected by either FDIC, SIPC, or independent bank collateral guarantees.

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 87,209	\$	\$	\$ 87,209
Buildings	5,500,204		42,732	5,457,472
Furniture & Equipment-Dwellings	73,220			73,220
Furniture & Equipment-Admin	140,874			140,874
Construction in Progress	<u>107,926</u>	<u></u>	<u></u>	<u>107,926</u>
	\$ 5,909,433	\$	\$ 42,732	\$ 5,866,701
Less Accumulated Depreciation	<u>4,638,170</u>	<u>202,175</u>	<u>2,144</u>	<u>4,838,201</u>
	\$ <u>1,271,263</u>	\$ <u>(202,175)</u>	\$ <u>40,588</u>	\$ <u>1,028,500</u>



Notes to Financial Statements- continued

Note 4: Accrued Liabilities-Other

Accrued Liabilities-other, consist of the following:

Accrued Utilities Payable	\$ <u>89,600</u>
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Note 5: Pension Plan

The Commission provides a 401K plan for all eligible full time employees. The Commission contributes a percentage of eligible employees wages to the plan and accounts for pension cost as incurred.

Note 6: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 13,785,800
General Liability	2,000,000
Automobile Liability	1,000,000
Dishonesty Bond	2,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note 7: Combining Financial Data Schedules.

The totals in the Combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 8: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

## Lincoln Park Housing Commission

31-Mar-08

MI-051

Combining Balance Sheet		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.854	Section 8 Mod Rehab 14.856	Component Unit	Capital Projects Funds 14.872	TOTAL
Line Item #							
	<b>ASSETS:</b>						
	<b>CURRENT ASSETS:</b>						
	Cash:						
111	Cash - unrestricted	641,392	91,808	31,935	56,653		821,788
112	Cash - restricted - modernization and development						-
113	Cash - other restricted		5,487				5,487
114	Cash - tenant security deposits	30,163					30,163
100	Total cash	671,555	97,295	31,935	56,653	-	857,438
	Accounts and notes receivables:						
121	Accounts receivable - PHA projects						-
122	Accounts receivable - HUD other projects	-		-		-	-
124	Accounts receivable - other government						-
125	Accounts receivable - miscellaneous	2,022		-			2,022
126	Accounts receivable- tenants - dwelling rents	1,906			-		1,906
126.1	Allowance for doubtful accounts - dwelling rents	-					-
126.2	Allowance for doubtful accounts - other						-
127	Notes and mortgages receivable- current				-		-
128	Fraud recovery						-
128.1	Allowance for doubtful accounts - fraud						-
129	Accrued interest receivable	-	-				-
120	Total receivables, net of allowances for doubtful accounts	3,928	-	-	-	-	3,928
	Current investments						-
131	Investments - unrestricted	-	155,388		-		155,388
132	Investments - restricted		570,000		-		570,000
142	Prepaid expenses and other assets	15,098			-		15,098
143	Inventories	-					-
143.1	Allowance for obsolete inventories	-					-
144	Interprogram - due from	-	25,108	-			25,108
146	Amounts to be provided						-
150	TOTAL CURRENT ASSETS	690,581	847,791	31,935	56,653	-	1,626,960
	<b>NONCURRENT ASSETS:</b>						
	Fixed assets:						
161	Land	87,209	-	-	-		87,209
162	Buildings	5,457,472			-		5,457,472
163	Furniture, equipment & machinery - dwellings	73,220	-		-		73,220
164	Furniture, equipment & machinery - administration	64,211	76,663				140,874
165	Leasehold improvements	-				-	-
167	Construction in Progress					107,926	107,926
166	Accumulated depreciation	(4,781,489)	(56,712)		-	-	(4,838,201)
160	Total fixed assets, net of accumulated depreciation	900,623	19,951	-	-	107,926	1,028,500
171	Notes and mortgages receivable - non-current				-		-
172	Notes and mortgages receivable-non-current-past due						-
174	Other assets				-		-
175	Undistributed debits						-
176	Investment in joint ventures						-
180	TOTAL NONCURRENT ASSETS	900,623	19,951	-	-	107,926	1,028,500
190	TOTAL ASSETS	1,591,204	867,742	31,935	56,653	107,926	2,655,460

	LIABILITIES AND EQUITY:						
	LIABILITIES:						
	CURRENT LIABILITIES	-					
311	Bank overdraft	-					-
312	Accounts payable ≤ 90 days	375	58	5	-	-	438
313	Accounts payable > 90 days past due						-
321	Accrued wage/payroll taxes payable	5,622	1,372	1,509			8,503
322	Accrued compensated absences	-	-				-
324	Accrued contingency liability						-
325	Accrued interest payable						-
331	Accounts payable - HUD PHA programs		-	-			-
332	Accounts Payable - PHA Projects						
333	Accounts payable - other government	13,295	-				13,295
341	Tenant security deposits	30,163		-	-		30,163
342	Deferred revenues	3,389			-		3,389
343	Current portion of Long-Term debt - capital projects				-		-
344	Current portion of Long-Term debt - operating borrowings						-
345	Other current liabilities	-	-	-	-		-
346	Accrued liabilities - other	85,884	1,235	2,481			89,600
347	Inter-program - due to	25,108	-	-		-	25,108
310	TOTAL CURRENT LIABILITIES	163,836	2,665	3,995	-	-	170,496
	NONCURRENT LIABILITIES:						
351	Long-term debt, net of current- capital projects				-		-
352	Long-term debt, net of current- operating borrowings						-
353	Noncurrent liabilities- other	-					-
354	Accrued Compensated Absences-non current	-					-
350	TOTAL NONCURRENT LIABILITIES	-	-	-	-	-	-
300	TOTAL LIABILITIES	163,836	2,665	3,995	-	-	170,496
	EQUITY:						
501	Investment in general fixed assets						-
	Contributed Capital:						
502	Project notes (HUD)						-
503	Long-term debt - HUD guaranteed						-
504	Net HUD PHA contributions	-	-				-
505	Other HUD contributions	-					-
507	Other contributions	-					-
508	Total contributed capital	-	-	-	-	-	-
508.1	Investment in Fixed Assets net of related debt	900,623	19,951			107,926	1,028,500
	Reserved fund balance:						-
509	Reserved for operating activities						-
510	Reserved for capital activities						-
511	Total reserved fund balance	-	-	-	-	-	-
512.1	Restricted Fund Balance		575,487				575,487
512	Undesignated fund balance/retained earnings	-	-	-	-	-	-
512.1	Unrestricted Net Assets	526,745	269,639	27,940	56,653		880,977
513	TOTAL EQUITY	1,427,368	865,077	27,940	56,653	107,926	2,484,964
600	TOTAL LIABILITIES AND EQUITY	1,591,204	867,742	31,935	56,653	107,926	2,655,460
		-	-	-	-	-	-

## Lincoln Park Housing Commission

31-Mar-08

MI-051

Combining Statement of Revenue & Expenses		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.854	Section 8 Mod Rehab 14.856	Component Unit	Capital Projects Funds 14.872	TOTAL
Line Item #							
	<b>REVENUE:</b>						
703	Net tenant rental revenue	297,730		24,120	-		321,850
704	Tenant revenue - other	201					201
705	Total tenant revenue	297,931	-	24,120	-	-	322,051
706	HUD PHA grants	274,174	1,864,120	103,639		92,107	2,334,040
708	Other government grants						-
711	Investment income - unrestricted	21,021	8,445	339	1,471		31,276
712	Mortgage interest income	-					-
714	Fraud recovery		-				-
715	Other revenue	77,103	33,914	-	500		111,517
716	Gain or loss on the sale of fixed assets	-					-
720	Investment income - restricted		33,779		-		33,779
700	<b>TOTAL REVENUE</b>	670,229	1,940,258	128,098	1,971	92,107	2,832,663
	<b>EXPENSES:</b>						
	Administrative						
911	Administrative salaries	92,943	40,447	5,750	-		139,140
912	Auditing fees	4,600	-	-	-		4,600
913	Outside management fees	47,124	45,708	5,460	-		98,292
914	Compensated absences	-	-				-
915	Employee benefit contributions- administrative	22,046	13,591	2,038	-		37,675
916	Other operating- administrative	78,886	1,202	-	320	-	80,408
	Tenant services						
921	Tenant services - salaries	1,308					1,308
922	Relocation costs						-
923	Employee benefit contributions- tenant services	-					-
924	Tenant services - other	1,548				-	1,548
	Utilities						
931	Water	31,670			-		31,670
932	Electricity	74,599			-		74,599
933	Gas	37,989					37,989
934	Fuel						-
935	Labor						-
937	Employee benefit contributions- utilities						-
938	Other utilities expense	-					-
	Ordinary maintenance & operation						
941	Ordinary maintenance and operations - labor	66,301	37,871	4,858			109,030
942	Ordinary maintenance and operations - materials & other	4,173			-		4,173
943	Ordinary maintenance and operations - contract costs	63,087			-		63,087
945	Employee benefit contributions- ordinary maintenance	15,480	12,912	1,507			29,899
	Protective services						
951	Protective services - labor	706					706

952	Protective services- other contract costs						-
953	Protective services - other	3,168					3,168
955	Employee benefit contributions- protective services						-
	General expenses						
961	Insurance premiums	33,135	-	-	-		33,135
962	Other General Expenses	-			-		-
963	Payments in lieu of taxes	13,295			-		13,295
964	Bad debt - tenant rents	7,400			-		7,400
965	Bad debt- mortgages						-
966	Bad debt - other						-
967	Interest expense				-		-
968	Severance expense						-
969	<b>TOTAL OPERATING EXPENSES</b>	599,458	151,731	19,613	320	-	771,122
970	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	70,771	1,788,527	108,485	1,651	92,107	2,061,541
971	Extraordinary maintenance	-			-		-
972	Casualty losses - non-capitalized	-					-
973	Housing assistance payments		1,729,515	130,318			1,859,833
974	Depreciation expense	200,675	1,500	-	-		202,175
975	Fraud losses						-
976	Capital outlays- governmental funds	-					-
977	Debt principal payment- governmental funds						-
978	Dwelling units rent expense						-
900	<b>TOTAL EXPENSES</b>	800,133	1,882,746	149,931	320	-	2,833,130
	<b>OTHER FINANCING SOURCES (USES)</b>						
1001	Operating transfers in (out)	92,107			-	(92,107)	-
1002	Operating transfers out	-				-	
1003	Operating transfers from/to primary government						
1004	Operating transfers from/to component unit						
1005	Proceeds from notes, loans and bonds						
1006	Proceeds from property sales						
1010	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	92,107	-	-	-	(92,107)	-
1000	<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TO</b>	(37,797)	57,512	(21,833)	1,651	-	(467)

LINCOLN PARK HOUSING COMMISSION  
Schedule of Annual Federal Awards  
For the Year Ended March 31, 2008

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
<u>CFDA 14.850 Public and Indian Housing</u>	
C-3175 Operating Subsidies	\$ <u>274,174</u>
* <u>CFDA 14.871 Housing Assistance Programs</u>	
C-3175V Housing Choice Vouchers	\$ <u>1,864,120</u>
<u>CFDA 14.856 Section 8 Mod Rehab</u>	
C-3175 Section 8 Mod Rehab	\$ <u>103,639</u>
<u>CFDA 14.872 Capital Projects Funds</u>	
C-3175 Capital Projects Grants	\$ <u>92,107</u>
	\$ <u>2,334,040</u>

\*Connotes Major Program Category

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

LINCOLN PARK HOUSING COMMISSION  
Status of Prior Audit Findings  
March 31, 2008

The prior audit of the Lincoln Park Housing Commission for the period ended March 31, 2007, did not contain any findings.

LINCOLN PARK HOUSING COMMISSION  
Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards*  
March 31, 2008

I have audited the financial statements of the Lincoln Park Housing Commission of Lincoln Park, Michigan, as of and for the year ended March 31, 2008, and have issued my report thereon dated September 19, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Lincoln Park Housing Commission's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. I did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be a material weaknesses, as defined above.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs.

This report is intended solely for the information of management, Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant  
Hemlock, Michigan  
September 19, 2008

LINCOLN PARK HOUSING COMMISSION  
Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance in  
Accordance with OMB Circular A-133  
March 31, 2008

Compliance

I have audited the compliance of the Lincoln Park Housing Commission of Lincoln Park, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2008. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. My responsibility is to express an opinion on the Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Commission's compliance with those requirements.

In my opinion, except as noted below, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2008. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs:

<u>Finding</u>	<u>Audit Number</u>	<u>Compliance Requirements</u>
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Low Rent Public Housing:

Tenant Accounting Discrepancies 8-1	Eligibility
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Housing Choice Vouchers:

Tenant Accounting Discrepancies 8-2	Eligibility
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### Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Commission's internal control over compliance.

My consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. I considered the deficiencies in internal control over compliance as described above.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. I did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Lincoln Park Housing Commission's response to the findings identified in my audit are described in the accompanying schedule of findings and question costs. I did not audit Lincoln Park Housing Commission's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of, management, Board of Commissioners, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Certified Public Accountant  
Hemlock, Michigan  
September 19, 2008

LINCOLN PARK HOUSING COMMISSION  
Schedule of Findings and Questioned Cost  
March 31, 2008

**Summary of Auditor's Results:**

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing		X
Housing Assistance Program	X	
Section 8 Mod Rehab		X
Capital Projects Fund		X

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted \_\_\_\_\_ Yes   X   No

Control Deficiency (ies) noted \_\_\_\_\_ Yes   X   No

Non Compliance material to financial statements noted \_\_\_\_\_ Yes   X   No

Report on compliance for Federal programs-

Unqualified

Material weakness(es) noted \_\_\_\_\_ Yes   X   No

Control Deficiency (ies) noted   X   Yes \_\_\_\_\_ No

Non Compliance material to financial statements noted \_\_\_\_\_ Yes   X   No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Public Housing	No	None	8-1
Housing Assistance Program	Yes	None	8-2
Section 8 Mod Rehab	No	None	N/A
Capital Projects Fund	No	None	N/A

LINCOLN PARK HOUSING COMMISSION  
Schedule of Findings, Recommendations and Replies  
March 31, 2008

The following findings of the Lincoln Park Housing Commission, for the year ended March 31, 2008, were discussed with the Property Supervisor, Ms. Sabrina Gaddy, in an exit interview conducted August 22, 2008:

Finding 08-1) Tenant Accounting Discrepancies- Low Rent Program.

Criteria-

The following items were noted during the audit:

- No notification to the tenants concerning the Violence Against Woman's Act (VAWA).
- Pet policy is not in compliance with Federal (HUD) and State (Michigan) rules.
- 2 of 7 files tested had incorrect rent calculations.

Condition-

VAWA requires insertion into the ACOP, notification to the tenants, and reference in the lease. The pet policy needs to comply with HUD and State requirements; currently, it is a fixed dollar amount. The State law says all deposits can not exceed one and one half months rent; HUD rules suggest the pet deposit can not exceed the rent in the month the pet is acquired. A fixed dollar amount may exceed both the aforementioned requirements. The two files with incorrect rent calculations involved confirmed income amounts, however, the wrong amounts were used in the rent calculations on the 50058.

Questioned Cost-

None

Effect-

The Commission is not compliant with HUD regulations; incorrect rent calculations result in the wrong amount of rent being charged and collected.

Cause-

Lack of knowledge concerning HUD regulations, lack of management oversight in the re-examination process.

Recommendation

The Commission has had a good record in the past with compliance and tenant matters; the above items reflect new regulations concerning VAWA, a refined interpretation of the Pet Policy, and management oversight concerning recent re-exams.

I recommend the Commission implement a plan to insure the management company is in compliance with HUD regulations and needs to monitored files to insure compliance.

Reply

-VAWA will be added to the ACOP, referenced in the lease, and residents will be notified.

-Clarification is needed to explain why our Pet Policy does not meet Federal (HUD) compliance? When the Detroit HUD office was contacted regarding the state law regarding security deposits it was not viewed the same as a Pet Deposit. We were notified to follow HUD guidelines which we feel we are doing.

-The manager is in the process of correcting the files that were tested with incorrect rent calculations.

Finding 08-2) Tenant Accounting Discrepancies- Housing Choice Voucher Program.

Criteria-

The following items were noted during the audit:

- No notification to the tenants concerning the Violence Against Woman's Act (VAWA).
- 7 of 11 files tested had incomplete leases; 5 of 11 had incomplete citizenship forms.

Condition-

VAWA requires insertion into the administrative plan and notification to the tenants. The incomplete forms range from unchecked boxes to missing signatures.

Questioned Cost-

None

Effect-

The Commission is not compliant with HUD regulations concerning the VAWA; missing or incomplete required forms are a form of non-compliance with HUD regulations.

Cause-

Lack of knowledge concerning HUD regulations, lack of management oversight in the re-examination process.

Recommendation

The Commission has had a good record in the past with compliance and tenant matters; the above items reflect new regulations concerning VAWA and management oversight concerning recent re-exams.

I recommend the Commission implement a plan to insure the management company is in compliance with HUD regulations; the Commission needs to monitor files to insure forms are complete and the files are in compliance.

Reply

-The VAWA policy was approved by the Commissioners a few years ago for the Voucher Program. Landlords and program participants will be notified.

-All files will be reviewed to make sure that the leases and citizenship forms are filled out completely.